

EXHIBIT B

GENENTECH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

**Three Months
Ended June 30,**

	2004			2003	
	GAAP⁽¹⁾	Differences	Non-GAAP⁽²⁾	GAAP⁽¹⁾	Differences
Revenues:					
Product sales	\$ 913,366		\$ 913,366	\$ 644,324	
Royalties	151,860		151,860	122,786	
Contract revenue	62,852		62,852	32,602	
Total operating revenues	1,128,078		1,128,078	799,712	
Costs and expenses:					
Cost of sales	186,683		186,683	123,407	
Research and development	212,886		212,886	180,203	
Marketing, general and administrative	276,654		276,654	184,258	
Collaboration profit sharing	145,221		145,221	107,307	
Recurring charges related to redemption	38,209	\$ (38,209) ⁽³⁾	-	38,586	\$ (38,586) ⁽³⁾
Special charges: litigation-related	13,458	(13,458) ⁽⁴⁾	-	13,363	(13,363) ⁽⁴⁾
Total costs and expenses	873,111	(51,667)	821,444	647,124	(51,949)
Operating margin	254,967	51,667	306,634	152,588	51,949
Other income, net ⁽⁵⁾	15,444	-	15,444	40,870	-
Income before taxes	270,411	51,667	322,078	193,458	51,949
Income tax provision	99,640	20,666	120,306	61,113	20,779
Net income	\$ 170,771	\$ 31,001	\$ 201,772	\$ 132,345	\$ 31,170
Earnings per share:⁽⁶⁾					
Basic	\$ 0.16	\$ 0.03	\$ 0.19	\$ 0.13	\$ 0.03
Diluted	\$ 0.16	\$ 0.03	\$ 0.19	\$ 0.13	\$ 0.03
Weighted average shares used to compute earnings per share:⁽⁶⁾					
Basic	1,060,619		1,060,619	1,025,818	
Diluted	1,087,087		1,087,087	1,045,829	

(1) Reflects operating results in accordance with U.S. generally accepted accounting principles (or GAAP).

(2) Non-GAAP amounts exclude litigation-related special charges and recurring charges related to the 1999 redemption of Genentech's Special Common related taxes.

(3) Represents the amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(4) Represents accrued interest and bond costs related to the City of Hope trial judgement.

(5) "Other income, net" includes realized gains and losses from the sale of certain biotechnology equity securities and write-downs for other-than-temp the fair value of certain biotechnology debt and equity securities. In addition, "other income, net" includes interest income and interest expense. For fu to our web site at www.gene.com.

(6) All share and per share amounts reflect the May 2004 two-for-one stock split of our Common Stock.

2004 Reconciliation of GAAP and Non-GAAP EPS

Our 2004 GAAP EPS is not estimable at this time. The 2004 GAAP EPS would include recurring charges related to the 1999 redemption of our stock by I estimated to be approximately \$145 million on a pretax basis in 2004. In addition, the 2004 GAAP EPS would include litigation-related special charges and associated bond costs on the City of Hope judgment, which are estimated to be approximately \$54 million on a pretax basis in 2004. The 2004 nor estimate does not include the redemption related recurring charges and the litigation-related special charges or any other potential special charges rela future litigation or its resolution, or changes in accounting principles, all of which may be significant.

GENENTECH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(unaudited)
Six Months
Ended June 30,

	2004			2003	
	GAAP⁽¹⁾	Differences	Non-GAAP⁽²⁾	GAAP⁽¹⁾	Differences
Revenues:					
Product sales	\$ 1,677,066		\$ 1,677,066	\$ 1,242,806	
Royalties	305,957		305,957	236,061	
Contract revenue	120,190		120,190	70,517	
Total operating revenues	2,103,213		2,103,213	1,549,384	
Costs and expenses:					
Cost of sales	301,163		301,163	238,249	
Research and development	403,231		403,231	337,636	
Marketing, general and administrative	523,968		523,968	321,480	
Collaboration profit sharing	271,652		271,652	203,854	
Recurring charges related to redemption	76,418	\$ (76,418) ⁽³⁾	-	77,172	\$ (77,172) ⁽³⁾
Special charges: litigation-related	26,857	(26,857) ⁽⁴⁾	-	26,608	(26,608) ⁽⁴⁾
Total costs and expenses	1,603,289	(103,275)	1,500,014	1,204,999	(103,780)
Operating margin	499,924	103,275	603,199	344,385	130,780
Other income, net ⁽⁵⁾	37,765	-	37,765	56,573	-
Income before taxes	537,689	103,275	640,964	400,958	130,780
Income tax provision	190,331	41,310	231,641	117,143	41,511
Net income	\$ 347,358	\$ 61,965	\$ 409,323	\$ 283,815	\$ 62,269
Earnings per share:⁽⁶⁾					
Basic	\$ 0.33	\$ 0.06	\$ 0.39	\$ 0.28	\$ 0.06
Diluted	\$ 0.32	\$ 0.06	\$ 0.38	\$ 0.27	\$ 0.06
Weighted average shares used to compute earnings per share:⁽⁶⁾					
Basic	1,057,955		1,057,955	1,024,796	
Diluted	1,084,618		1,084,618	1,040,204	

(1) Reflects operating results in accordance with U.S. generally accepted accounting principles (or GAAP).

(2) Non-GAAP amounts exclude litigation-related special charges and recurring charges related to the 1999 redemption of Genentech's Special Common related taxes.

(3) Represents the amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(4) Represents accrued interest and bond costs related to the City of Hope trial judgement.

(5) "Other income, net" includes realized gains and losses from the sale of certain biotechnology equity securities and write-downs for other-than-temp the fair value of certain biotechnology debt and equity securities. In addition, "other income, net" includes interest income and interest expense. For fu to our web site at www.gene.com.

(6) All share and per share amounts reflect the May 2004 two-for-one stock split of our Common Stock.

GENENTECH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	June 30,
	2004
Selected balance sheet data:	
Cash, cash equivalents and short-term investments	\$ 1,619,134
Accounts receivable - product sales, net	464,032
Accounts receivable - royalties, net	189,513
Accounts receivable - other, net	88,901
Inventories	527,649
Long-term marketable debt and equity securities	1,414,663
Property, plant and equipment, net	1,740,423 ⁽⁴⁾
Goodwill	1,315,019
Other intangible assets	710,644
Other long-term assets	817,906
Total assets	9,055,039
Total current liabilities	836,876
Total liabilities	2,170,005 ⁽⁵⁾
Total stockholders' equity	6,885,034
Year-to-date:	
Capital expenditures	\$ 196,633
Total GAAP ⁽¹⁾ depreciation and amortization expense	178,520
Less: redemption related amortization expense ⁽³⁾	(76,418)
Non-GAAP ⁽²⁾ depreciation and amortization expense	\$ 102,102

(1) In accordance with U.S. generally accepted accounting principles (or GAAP).

(2) Non-GAAP amounts exclude amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(3) Represents the amortization of other intangible assets related to the 1999 redemption of Genentech's Special Common Stock.

(4) Includes \$338 million of assets related to the consolidation of a variable interest entity pursuant to Financial Accounting Standards Board Interpretation 46) on July 1, 2003.

(5) Includes \$412 million of debt related to the consolidation of a variable interest entity pursuant to FIN 46.

(6) Certain reclassifications of prior period amounts have been made to conform with the current year presentation.